ANSWER TO MAHONEY PK PLAZA

LANDFILL

(Boston Redevelopment Authority)

November 5, 1971

Last week Judge Mahoney appeared before the Boston City Council and, in a testimony marked by considerable rhetoric and certain obvious errors of omission and mis-representation, said essentially that the area to be developed as Park Plaza:

1. did not serve a public purpose;
2. was not blighted;
3. that the Project was neither legally or financially feasible.

In support of these conclusions, he raised numerous questions, some stated, some implied, which the Council has asked the Boston Redevelopment Authority to answer. The attached answers have been organized into four major areas:

- those relating to criteria, definition and legal precedents;
- those relating to our procedures, the Letter of Intent, and the obligations of respective parties;
- those relating to the technical and financial feasibility; and
- those relating to the impact and benefit of the project for the City.

I. Questions Relating to Criteria, Definition and Legal Precedents

Question: Which urban renewal criteria have been used in this case?

Answer: The criteria spelled out under Chapter 121B, Section 48, of the Massachusetts General Laws. Only in those areas where the State law appears to allow discretion in determining standards such as building conditions have we used the Federal standard. Although Section 48 of Chapter 121B sets forth the necessary findings which must be made before the creation of an urban renewal area, i.e.: that the project area is decadent, substandard or blighted, it does not set forth the specific checklist for evaluating building and engineering requirements.

Question: Does the BRA have the legal authority to undertake this project?

Answer: The constitutional power of the BRA to enter into the Park Plaza project, including the agreement with Boston Urban Associates, rest upon a determination that the development of the project is a public purpose.

Whether a particular projects meets the public purpose test depends upon whether the primary result is a conferring of benefits upon the public. The Council has heard discussion of the case of Allydonn Realty Corp. v. Holyoke Housing Authority. Even under the rather narrow definition existing at the time of this 1939 decision, the Park Plaza Plan qualifies as a legitimate public purpose.

The relevant factors discussed in Allydonn are:

1. Whether the benefit is available on equal terms to the entire public in the locality affected.

   Both within and outside the locality affected the entire public will benefit from Park Plaza. The initial benefit - the elimination of decadent, substandard and blighted open conditions is a concern of the entire community and is recognized by Statute as a legitimate public purpose.

2 Whether the enterprise bears directly and immediately, or only remotely and circumstantially, upon the public welfare.

The existence of decadent, substandard and blighted open conditions is a direct and immediate detriment to the public welfare. In addition, the reuse of the land will directly promote the public welfare by increasing tax revenues and producing additional jobs.

3 Whether the need to be met in its nature requires united effort under unified control or can be secured as well by separate individual competition.

60% of the parcels are under 3,000 square feet and there are over 150 different ownerships. What is needed is a unified plan on a large enough scale to create a whole new environment, which can only be done by a single development. For example, pedestrian arcades, parking facilities, the plaza, all require an overall plan.

4 Whether private enterprise has in the past failed or succeeded in supplying the want or eradicating the evil.

Evidence of the ineffectiveness of private efforts can be seen in the lack of new construction and the failure to replace demolished buildings on land that now lies vacant.

5 Whether, insofar as benefits accrue to individuals, the whole of society has an interest in having those individuals benefited.

The primary purpose of the project is the elimination of the decadent, substandard and blighted open conditions and the revitalization of the area. The secondary purposes - achieved by disposition of the land to private persons - are recognized by statute and judicial opinion as necessary and permissible. Indeed, the controls imposed upon the redevelopment in the hands of private developers insure the preservation of the initial public purpose.

6 Whether it will be necessary to use public ways or to invoke the power of eminent domain.

The Legislature has recognized the need for the power of eminent domain to accomplish the desired public purpose. The exercise of that power in part surmounts the obstacles to

Important developments subsequent to Allydonn further confirm the public purpose aspects of Park Plaza. At the time of the Allydonn decision there was no provision under Massachusetts law for redevelopment authorities or redevelopment projects. The provisions of Chapter 121B supporting the legality of Park Plaza declare:

1. substandard, decadent or blighted open areas exist in the Commonwealth (Sec. 45);
2. the redevelopment of land in decadent, substandard and blighted open areas in accordance with a comprehensive plan to promote the sound growth of the community is necessary (Sec. 45);
3. the exercise of the granted powers by an urban renewal agency is a public use and public purpose (Sec. 45); and
4. an urban renewal agency has the power to determine what areas are decadent, substandard or blighted open areas (Sec 45).

No such powers existed at the time of the Allydonn case.

Since the Allydonn case there have been a number of decisions in the Massachusetts courts further elaborating upon the factors which will be considered in determining whether a project serves a public purpose.

1. Threat to the city's tax structure;
2. Economic blight of the area;
3. Whether the area is a potential breeding place for crime which will adversely affect values;
4. Whether private enterprise is willing to undertake the orderly and integrated development of the area;
5. The improvement of the appearance and attractiveness of a project area has been recognized as a valid public purpose;
6. "An appropriate convention" site is a public purpose;
7. "The encouragement of prompt action unlikely to be taken by private enterprise in the foreseeable future;"
8. "Stimulation of other building and opening a new opportunity for urban growth;"
9. "New facilities made available to public use;"
10. Whether the area to be developed "lies in the path of, and interferes with, the sound growth of city;"

11. Whether site conditions, for example irregular street patterns, retard development;

The private improvements contemplated for Park Plaza do not derogate in any way from the public purpose of the project. So long as the activity is not primarily for private, rather than public, benefit, secondary benefit to private individuals does not undermine the project. Given the legislative determinations contained in General Laws, Chapter 121, and later in Chapter 121B, and subsequent judicial review of those standards, it can scarcely be contended today that urban renewal does not serve a legitimate public purpose.

The question has been raised whether or not the Park Plaza Urban Renewal Plan would be subject to court attack on the basis of the character of a particular parcel or building.

The courts have consistently refused to determine whether specific parcels are appropriate for redevelopment. Rather, the Massachusetts Legislature has bestowed upon the BRA the statutory power to make these findings. Thus the courts will not redefine the boundaries of a project area, Moscow v.

Boston Redevelopment Authority, 349 Mass. 553, 562 (1956):

> ... the determination of the boundaries of the area was a matter exclusively for the Authority and not subject to judicial review.

Likewise in Berman v. Parker, the United States Supreme Court stated:

> "It is not for the courts to oversee the choice of the boundary line nor to sit in review on the size of a particular project area. Once the question of the public purpose has been decided, the amount and character of land to be taken for the project and the need for a particular tract to complete the integrated plan rests in the discretion of the legislative branch."

Thus, the rule in Massachusetts has ample precedent in the decisions of the United States Supreme Court and judicial opinion generally.

It has been suggested to the Council that the rule stated in Opinion of the Justices, (so-called stadium case) is a limiting principle to be considered in evaluating the public purpose aspects of this project. That opinion concerned the construction of a stadium complex; it did not involve urban renewal or G.L. c. 121B. Recognizing the importance of enabling legislation, the court stated at 1190:

> On the other hand, if the legislation itself contains standards and principles governing and guiding the operation of the facilities in a manner which reasonably can be expected adequately (a) to protect all aspects of the public interest and (b) to guard against improper diversion of public funds and privileges for the benefit of private persons and entities, then such enterprises may be found to be for public objectives.

Question: Under Federal requirements, what conditions must exist for a project area to:

a) Qualify for Urban Renewal Assistance.

b) Justify Clearance.

Answer: Although we have previously pointed out that the legal justification for Park Plaza rests on Sec. 48, Chapter 121B, of the Massachusetts General Law and not on any Federal statute, Judge Mahoney's statement raised the question of Federal standards and claimed that the project failed to meet such criteria.

We have also pointed out that in those areas where the State statute appears to allow discretion in determining standards, we have applied the Federal standard, thus perhaps confusing some people about which standards were actually being applied for the total project.

To avoid any implication that the project would not qualify under Federal guidelines and to demonstrate that the project clearly qualifies under either Federal or State law, the following response to the question is presented.

Qualification for Assistance

Under Federal eligibility requirements, to qualify for urban renewal assistance (Urban Renewal Handbook, 7205.1, Chapter 1), at least 20% of the buildings in the area must contain one or more building deficiencies and the area must contain at least two environmental deficiencies.

In the Park Plaza Urban Renewal Project Area, a building conditions survey was made in 1964 as part of the planning for the Central Business District Urban Renewal Project Area. With the owner's consent, a thorough exterior and interior examination was made of each building. A new building conditions survey was carried out in the Park Plaza Urban Renewal Project Area in 1970, which found that 68% of the buildings contained one or more building deficiencies. Of the buildings located in Parcels A, B, C, 52% contained one or more building deficiencies. The following development parcel breakdown shows that the deficiencies are present to a reasonable degree in all parts of the area.

	A	B	C	D	E	Total	A B C Total
No. Bldgs.	14	14	43	32	17	120	71
Bldgs. with Deficiencies	8	5	24	27	17	81	37

The Boston Redevelopment Authority has determined that the Park Plaza Urban Renewal Project Area contains the following environmental deficiencies:

1. Overcrowding and improper location of structures on the land. The 124 structures located within the Project Area are almost universally without frontage or sideyard setbacks. The resulting overcrowding prevents the provision of adequate light and air to the floor areas within the structures. The congested siting of the

buildings also prevents proper servicing and increases the difficulties for maintenance and fire protection.

2 Obsolete building types. The small square footages per floor and typical layouts are not competitive with today's market for flexible floor plans and modern lighting and temperature control. Also, the obsolete buildings which predominate in the area are lacking in adequate or properly located service entrances, public areas, lavatories, storage areas, and internal vertical transportation facilities.

3 Detrimental land uses and conditions. Surface parking lots, cluttered dead-end alleys, and open-lot car rental operations are among the widespread detrimental land uses in the district. The operation of a major bus terminal on a parcel which is poorly located and totally inadequate in size has a deletorious effect on the neighboring activities as well as traffic in a large portion of the downtown.

4 Unsafe, congested, poorly designed and otherwise deficient streets. Over 45% of the total 35-acre Project Area is devoted to vehicular uses - strects, alleys, and surface parking. Even so, the street pattern and confusing intersections produce a completely inadequate traffic system. This coupled with the antiquated servicing facilities and excessive curbcuts causes undue congestion and an excessive incidence of traffic accidents.

5 Building vacancies. Upper level vacancies are unusually high in this area, with more than 20% of the buildings more than one-quarter vacant. The 1969 Polk Directory indicates approximately 155 vacancies out of the total of 473 spaces available above the ground floors in the Project Area.

6 Deficient pedestrian traffic facilities. The area is at the confluence of the the major densely populated and utilized downtown districts and therefore is a focus of pedestrian movement to, from, and between those districts. The excessive street surface areas, complex intersections and curb-cuts for busses, parking lots, and servicing, present a very hazardous condition for the pedestrian. Certain pedestrian movements which are needed are

blocked by dead-end alleys and chaotic building placements.

7 Under-utilized land. The overall low profile of the existing area belies its location at the heart of the intensely-developed downtown district and on top of two major subway lines. The over-abundance of useless street areas robs the city of some of its most desirable developable land.

Justification for Clearance

Under Federal criteria, to justify the necessity for clearance of a project area (Urban Renewal Handbook, 7207.1, Chapter 1), more than 20% of the buildings must be structurally substandard to a degree warranting clearance, and additional clearance, in an amount bringing the total to more than 50% of the buildings, must be warranted to remove effectively blighting influences.

The building conditions surveys of 1964 and 1970 determined that 30% of the buildings in the Park Plaza Urban Renewal Project Area are structurally substandard to a degree requiring clearance. Of the buildings in Parcels A, B, C, 21% were found to be structurally substandard to a degree requiring clearance.

Judge Mahoney spent considerable time to show that three buildings -- the Women's Educational and Industrial Union, the Avis Rent A Car, and Duncan Reid's home -- were not substandard. He therefore subtracted three buildings to indicate that we had only 17% of the buildings substandard to a degree warranting clearance. It must be pointed out that the Avis Rent A Car facility and the Duncan Reid home were not included in our supporting documentation to the Council as buildings classified as warranting clearance. The Women's Educational and Industrial Union, 264 Boylston Street, the other building challenged by Mahoney, is, to quote from the Building Conditions Survey, "The foundation of this building has sunk to a point where the building is not structurally sound. The interior floors sag and are worn. The walls are as much as 4 inches out of line and are 2 inches out of plumb."

Our original submission classified 21% of the buildings in Parcels A, B, and C as substandard to a degree warranting clearance, and after a complete review of these surveys there remain the same 15 of 71 buildings, or 21% of the structures, warranting clearance.

A parcel breakdown shows:

	A	B	C	D	E	Total	A+B+C Total
No. Buildings	14	14	43	32	17	120	71
Structurally Substandard Buildings	2	3	10	10	11	36	15

The following blighting influences exist throughout the Park Plaza Urban Renewal Project Area:

1. Inadequate street layout. Although over 45% of the total 35 acres within Park Plaza is devoted to streets and surface parking lots, the layout of such streets and the confusing intersections result in a totally inadequate traffic pattern. Complex intersections such as Broadway, Columbus Avenue, and Eliot Street, coupled with the numerous curb cuts for garages, the bus terminal, and surface parking lots, create an unsafe and inadequate system for vehicular movement.

2. Incompatible land uses and land use relationships. The ground floor land uses in Park Plaza are composed of a wide spectrum of retail and service retail functions. While these activities are in keeping with the downtown commercial area, they are unfortunately interspersed with surface parking lots, car rental operations, and

a major bus terminal operating from an overcrowded open lot. Upper floors of the buildings have an abnormally high vacancy rate, and many are being utilized for purposes other than their designed uses.

3. Overcrowding of buildings on land. Frontage or sideyard setbacks are extremely rare in the project area, and party wall construction is commonplace. This results in inadequate light and air to the floor areas within the structures and minimizes pedestrian amenities. The parcel sizes are extremely small, with 60% of the total number of parcels being less than 3,000 square feet. This, combined with the pattern of ownership - over 90 different owners of the 120 buildings - makes almost impossible the assembly of a development site for a modern structure.

4. Obsolete buildings not suitable for improvement or conversion. Over 81% of the buildings were constructed prior to 1890, and the remainder are almost exclusively pre-World-War-II. The architectural design of these structures and the small square footages per floor make conversion to modern economic land uses nearly impossible. Also, the introduction of modern elevator cores is physically difficult and economically almost impossible in most of the existing structures.

5. Other hazards to the health, safety, and general well-being of the community. While the Park Square area has one of the largest concentrations of pedestrian activity in downtown Boston, the sidewalks and other public areas are unattractive, unsafe, and outmoded for proper pedestrian movement. Many of the dead-end alleys and niches between structures are difficult to maintain and have therefore become trash-ridden and rodent-infested. The ages of and physical relationships between the buildings make proper egress for fire and other emergencies very difficult and proper access for fire-fighting equipment almost impossible.

Question: Can land be taken where a loan contract has not been entered into with the Federal Government?

Answer: Section 48 of Chapter 121B provides the general framework within which an urban renewal project can be undertaken. It requires approval of a plan by the City Council and the State, and there is no requirement whatever of participation by the Federal Government.

Section 47 of Chapter 121B has been cited as restricting the powers of the Authority in this instance. In fact, this statute applies to instances where early land acquisition is necessary and where Federal funds are involved. In other words, it permits land takings prior

to adoption of an urban renewal plan — a situation that clearly does not exist with Park Plaza.

Question: How does Park Plaza differ from typical urban renewal projects?

Answer: In the typical project, the private developer is granted the right to develop a cleared, prepared parcel of land at a price reduced through the use of Federal, State, and City funds. In the Park Plaza project, the developer must pay the full market value, without write-down, of land acquisition, relocation, and demolition. Furthermore, the developer agrees to pay the BRA overhead costs related to the project.

Finally, and most important, there will be no public action to acquire land or improve streets until the developer has provided evidence of the financial feasibility of the first and each subsequent phase of the project.

SECTION TWO

Questions relating to BRA procedures, the Letter of Intent and the Obligations of Various Parties

Question: Does the BRA have the right to conduct property surveys of an area before it is declared a renewal area?

Answer: In order to perform its planning function, the BRA has by statute the right and obligation to conduct surveys in order to determine what areas of the city require urban renewal treatment.

Question: Should the project have been advertised and the developer selected prior to Council approval?

Answer: Due to the lack of any Federal funds for the project, it was obviously necessary to acquire a developer commitment to provide the funds necessary to carry out the plan prior to submittal to Council.

Question: What is the Letter of Intent?

Answer: The Letter of Intent provides a framework for drawing up the land disposition agreement and provides an indication of the intention of both parties to perform in a certain manner. It is not an exhaustive document or one in any way that pretends to have satisfied all questions relating to the project. It does, however, provide legally enforceable safeguards which insure that

the answer to these future questions will be consistent with the public interest and purpose of the project. It has been suggested that the letter gives the developer too much veto power and the Director of the BRA too much discretion. The very nature of the document exposes it to such opinions. The critical question which we feel is involved is whether or not the City is properly protected by the document. We think that it is; and I have talked with the Corporation Counsel of the City and it is his opinion that there is nothing in the Letter of Intent that could not be worked out to the satisfaction of the City.

the Letter of Intent insures that:

a) No City funds will be expended until the developer demonstrates the financial feasibility of that first phase of the project.

b) That each phase of the project which is started will be completed.

c) That the City's investment will be limited to:

1) specifically defined street improvements totalling and limited to the $6.8 million stipulated with the one exception of a contingency for inflation which has been interpreted by Judge Mahoney as a blank check.

d) The City will recover a minimum of $3.3 million of its $6.8 million investment and eventually can look to recovery of as much as $6.3 million leaving a total investment of $500,000 in the project.

Judge Mahoney's testimony implies that the developer could siphon off profits prior to meeting these obligations by citing

a paragraph in the Letter of Intent referring to the subordination of the City's $3 million payment.

"The obligation on the part of Urban to make such payment shall be an obligation as to which recourse may be had only against the project and shall be subject to the availability of funds to make such payment after all operating costs, debt service or other payments to outside lenders and to investors other than Urban have been made but before any return to Urban of its investment."

(In reading this quotation to the Council last week, the words: underlined above, were omitted and hence the implication referred to previously. (For purposes of clarification, Urban in the Letter of Intent, is defined as a joint venture composed of Zuckerman and Linde as managing joint venturers.)

e) That the developer will pay the fair market value of all property acquired by eminent domain. The fair market value of each parcel will be determined by an independent appraisal.

f) That there is sufficient control over the developer to assure proper adherence to the plan. Included in these control measures is a $500,000 deposit. Unfortunately, this has been incorrectly interpreted by some to indicate the extent of the developer's financial commitment to the project. In fact, this only represents a small portion of the developer's overall financial contribution.

g) That there is adequate compensation and assistance available to relocate existing tenants. Much has been said by Judge Mahoney as the legal insufficiency of the relocation plan. I wish to re-state that the Relocation Plan and payments submitted to the Council conform not only with the State Requirements but also conform to more stringent Federal Requirements.

Question: Is the amount of $500,000 as a security deposit adequate?

Answer: In evaluating this amount, it must be recognized that the private developer is undertaking several unusual commitments:

The private developer must arrange for the funding of each stage of the project prior to initiating any acquisition within that stage. Furthermore, the developer is not acquiring this land at a land writedown but, in fact, is assuming considerable additional costs including relocation and demolition cost, and BRA overhead costs.

If the land on a prepared basis could be acquired as in normal urban renewal projects at a writedown price, the developer would clearly increase the deposit to several million dollars, but these same monies must be used to absorb additional costs such as relocation, etc., as outlined above and must be made available to the City much earlier than normally required in urban renewal projects (i.e. before acquisition commences).

(It must be noted, and underscored, and repeated, and emphasized that the developer is contracted to complete the development for which he has been designated for Parcels A, B, & C.)

Question: What is the affect of the developer leasing the land from the City?

Answer: In substance, there is absolutely no difference to the City if the developer leases or buys the parcels. It is the money raised by the developer which is to be used by the Authority to acquire the property and the resulting property will be conveyed or leased based on that principal sum.

The rent under a proposed lease would be the same as a mortgage payment. The purpose of the lease arrangement is to permit the developer the option of leaving title to the land in the Authority until all relocation is completed and clear title is assured. The Authority has powers of the sovereign, can clear up defects in title, and can assist in speeding up the relocation process.

Question: Is it possible for cleared land to be used for a parking lot or to go underdeveloped?

Answer: The land will not be acquired until total land acquisition, derolition, and relocation funds have been provided by the developer and until the Authority is assured of developers financing for actual construction Development will commence immediately after the land is available for construction.

Question: Are there hidden costs in the project such as the removal of park land?

Answer: The project does remove a small 3,000 square foot park but in turn replaces it with almost three acres of a public plaza which will serve not only the development but also as an extension of the surrounding Boston Common and Public Garden.

Question: Does the project give proper consideration to minority groups?

Answer: "The urban renewal plan. . .will contain a general prohibition against restrictive conveyance to insure that the project land will not be restricted by any agreement or other instrument on the basis of race, color, sex, religion or national origin in the sale, lease or rental or in the use and occupancy thereof."

Final Project Report, Supporting Documentation, p. 17
(Document #6)

SECTION THREE

QUESTIONS REGARDING THE TECHNICAL AND FINANCIAL FEASIBILITY OF THE PROJECT

Question: What assurance does the City have that financing for the Project is available?

Answer: The developer has submitted preliminary feasibility studies based on reasonable estimates of costs to major financial institutions seeking permanent equity and interim financing. These institutions have indicated their support of the feasibility of the project and their desire to join in its financing as follows:

		COST	FINANCING
1.	Residential & Parking	$120,000,000	White, Weld & Co. and Eastman Dillon have given letters of interest to the developer to provide this $120,000,000 of which $25,000,000 will be equity and $95,000,000 will be in mortgage funds.
2.	Low Rise Commercial and Office Space	50,500,000	Connecticut General has submitted a letter supporting the feasibility, indicating their interest in $30,000,000 to lead a syndicate of $50,500,000 of institutional financing. Teachers Insurance Co. has submitted a letter that they are interested in joining this syndicate.
3.	Office Tower	40,000,000	Financing to be deferred at least five years until development commences.

4.	Hotel	$45,000,000	Western International Hotels has signed an agreement to lease, manage and invest over $5,000,000 of equity in this hotel. A major, national financial institution has indicated willingness to work out the financing for an additional $40,000,000 of which $32,000,000 is a mortgage and $8,000,000 is equity.

Furthermore, the Chase Manhattan Bank, the Wells Fargo Bank, the First National Bank of Boston and the State Street Bank and Trust Company have indicated their interest in providing the interim financing for the above, upon completion of satisfactory documentation.

Question: What assurance does the City have that the developer has the capacity to undertake the Project.

Answer: The best indication of the developer's capability is the reputation they enjoy in the financial community. The critical question is whether the developer has the professional standing and experience to attract the funds necessary for development. The lending institutions' regard for Boston Urban Associates can best be indicated by the following quotes:

Letter of June 25, 1971 from
Eastman Dillon, Union Securities & Co.:

> "Our willingness to participate in the proposed financing is conditioned upon participation in and control of the development by Boston Urban Associates and by Messrs. Edward Linde and Mortimer Zuckerman, with whom we have enjoyed a long standing relationship, and in whose professional competence we place great confidence."

Letter of June 21, 1971, from
White, Weld & Co.:

"We have worked with the principals of Boston Urban Associates and have enjoyed a long-standing, favorable relationship with them. We believe they are qualified to carry out this project and the foregoing expression of interest is predicated upon their direction of the project."

Letter of July 28, 1971, from
Wells Fargo Bank (a 7.3 billion dollar institution) -
Mr. John F. Holman, the Executive Vice President:

"We have had previous exposure to your experience in the development field and that of Mr. Linde who has had considerable experience in supervising large scale projects. We are, therefore, confident that you can provide the professional talent necessary to complete a project of this magnitude."

Question: Is the financing plan dependent on the bond issue?

Answer: Although a bond issue or issues may be used in connection with financing the Project, providing such issue qualifies for tax exemption under Section 103 of the Internal Revenue Code, the Project is in no way dependent upon this method of financing. The feasibility of the bond issue which would not in any way pledge the credit of the Authority or the City, will ultimately depend on the developers ability to arrange for the marketing of the bonds. This bond financing is the equivalent of and can be substituted by conventional mortgage financing.

Speaking generally, tax exempt treatment may be permissible only where the proceeds of the bonds will be used to finance the development of residential property, including facilities ancillary thereto. In this connection, the law firm of Bingham, Dana & Gould have rendered their opinion that such a bond issue for residential and parking facilities in the Park Plaza context would be tax exempt.

Question: Is the economic feasibility of the Project based on realistic land values?

Answer: The estimated acquisition cost of each parcel has been determined by windshield appraisals carried out by an independent appraiser and said estimated cost includes as factor for contingencies and increase court awards. The sites do not lend themselves to an overall evaluation on a square-foot basis, as obviously certain parcels have far greater value than others due to their location, size and income flow. Values for those parts of Park Plaza on which income producing buildings are located are generally greater than small undeveloped or [illegible] parcels.

Question: What will the developer pay for the City street?

Answer: The standard we propose to apply to the streets is the same standard to be applied to all other parcels in the area. In each case, the question is - what is the fair market value of the parcel of land as it now stands?

The developer believes, based on its review and the windowsfield appraisals made for the project as a whole, that the fair market value of the areas in streets to be abandoned is considerably less than $2,000,000; However, it is agreed the developer will pay the fair market value as determined by appraisals and he will not have the right to buy these parcels unless he does pay fair market value.

Question: Is the developer required to complete the whole Project?

Answer: The letter of Intent states that the developer will be obligated to go forward with all the proposed improvements on Parcels A, B and C.

The deposit required to be made by Urban stands until the project is done. The fact that separate Land Disposition Agreements may be called for is a provision designed to meet the requirements of the financial institutions, it being anticipated that an institution or group of institutions will separately finance various phases.

But the Letter of Intent specifically provides that (Page 11) if Urban is in default, Urban forfeits the right to clearance work on subsequent stages of the project; and as stated above, the entire deposit made by Urban stands as security for its obligations under the Letter of Intent with reference to all of Parcels A, B and C.

Question: Are there adequate transportation facilities to serve the Project?

Answer: Discussions with MBTA officials have indicated that this Project will not overtax their system. Barton Aschman Associates have analyzed the transportation system and have stated that it is adequate. The capacity of the existing and proposed MBTA facilities will be adequate to handle the increased transit volume, particularly since this surcharge is distributed over time and by direction so as to avoid excessive peak loads.

Question: Does the proposed method of financing the Project satisfy the requirements of Section 48 of Chapter 121B?

Answer: In this instance, a far more elaborate statement of the method for financing this project has been provided than is usually the case. When an urban renewal plan is presented, in the usual case, a developer has not been selected, and plans are of a very indefinite nature. In this case, there is a financing plan for the City work, and for the project itself.

So far as Parcels D & E are concerned, it is true that no such statement is included. As has been discussed many times at the Park Plaza hearings, neither the Council nor the BPA wants to repeat the experience of other urban renewal projects where large areas of land were acquired, tenants relocated and buildings demolished many years in advance of any development activity commencing. To avoid this situation, the Authority has no intention of acquiring the property in Parcels D & E until it is certain that a developer is prepared to start redevelopment activities as soon as is practicably possible after the land is made available to him and until it is assured that public or private funds are available either singly or in combination to guarantee the completion of any development proposed. Thus, for Parcels D & E, no statement of financial plans is

presently appropriate. However, this does not mean that the framework for future development of Parcels D & E should not now be established nor that the City should not go on record as strongly in favor of this development taking place as soon as is possible. That is why it is important that Parcels D & E be included in the overall Plan at this time.

Section Four

Questions Relating to the Impact and Benefit of Park Plaza

Question: What is the total public investment on the project?

Answer: The total commitment from the City for public streets and utilities improvements has been estimated at $6.8 million. Of this figure, $5.4 million represents the acquisition, demolition and new construction costs for New Charles Street. This new street, which the City Traffic and Parking Department and the Redevelopment Authority's traffic planners deem highly desirable to facilitate northbound traffic flow from the relocated Charles Street in the South Cove through the Park Square area, would be an important traffic improvement for downtown Boston which should be undertaken whether or not there is adjacent redevelopment such as the Park Plaza construction. As projected in the financing plan for Park Plaza, the private developer would return approximately $3.3 million of the $6.8 million expenditure through the purchases of City-owned streets which are to be abandoned and the residual land from the Charles Street takings which is not needed for the actual street improvement.

The City in effect is given a long term note for an additional $3 million, thus reducing its investment to $500,000 at the time the project is completed. Conceivably, if the project was not completed, the developer could default on the note thus leaving

the City with an investment of $3 million ($3.5 million less $5[illegible],000 deposit which would be forfeited). However, as previously pointed out, this would have permitted the construction of a highly desirable public improvement at a cost substantially below what would be required to construct the improvement without the development. In other words, under worst circumstances, the City obtains at $5.4 million improvement for an actual cost of $3 million.

Question: What are the financial benefits of the project?

Answer: Although there are considerable indirect financial benefits resulting from the elimination of the factors which qualify Park Plaza as a renewal project, the most direct financial benefit comes in the form of increased real estate taxes.

Because Judge Mahoney's testimony raised serious questions about this benefit, let us review our previous statements.

- The 1971 assessed valuation of Parcels A, B, C is as follows:

  Assessment $9,015,500

  Taxes $1,512,000

- Judge Mahoney maintained that the figure for 1971 was:

  Assessment $12,959,700

  Taxes $2,100,000

what about the report from Anzalone?

We have checked our figures with the Municipal Research Bureau and they agree with their accuracy. We cannot determine how Judge Mahoney arrived at his figure unless he added approximately $3,500,000 in assessed valuation for the Little Building, the Colonial Building and the Walker Building which are not in Parcels A, B, C; nor are they scheduled to be acquired, nor will they be lost to city tax rolls.

Judge Mahoney has also questioned my statement that the assessed value of the parcels in Park Plaza has diminished in the past fifteen years. The verified figures for Parcels A, B, C, D, and E in 1955 was $19,142,900 and $15,628,000 in 1971 or a decline of approximately $3,500,000. The figures for A, B, and C alone declined from $10,619,900 in 1955 to $9,015,500 in 1971 or approximately $1,600,000.

For the years Judge Mahoney used, the assessment for Parcels A, B, and C was $8,527,800 for 1961 and $9,015,500 for 1971 or an increase of only $512,300 of which $307,500 is directly attributed to the addition to the tax rolls of the parcel of street sold by the City to Mr. Druker. It must be noted that the minimal increase in assessment in A, B, C between 1961 and 1971 was during a period of time when the assessed valuation in the City as a whole increased by 19 per cent.

We do not dispute there was a minimal increase of $512,300 between 1961 and 1971, however, we do reiterate that there has been a substantial decline of $1,600,000 in the valuation for Parcels A, B, and C between 1955 and 1971.

A conservative estimate of the real estate taxes generated by the development of A, B, C is $4.5 million or roughly a $3 million increase from the existing revenues.

Question: Are real estate taxes based on a percentage of gross income consistent with method used to assess other similar projects in the City?

Answer: Yes. The use of gross annual revenue as the base for calculations of real estate taxes is the formula which has made it possible for Boston to come alive again. There is not a single important building in this City constructed in the last 15 years that is not taxed on this basis. Moreover, the Appellate Tax Board for the Commonwealth has regularly and consistently made its determinations of fair market value for the purposes of determining real estate tax burden on the basis of the economic yield of the property, and not upon cost, replacement value, or any like measure. It is widely recognized that the value of commercial property is determined by, and only by, the revenue which can be generated from the structure.

Question: Will the tax revenues be effected if the developer leases the land?

Answer: No. Section 16 of Chapter 121B, at the end, in a part not read to the City Council at the hearings when Section 16 was referred to, provides:

> "Nothing in this chapter shall be construed to prevent the taxation to the same extent and in the same manner as other real estate is taxed, of real estate acquired by an operating agency for an urban renewal project and sold by it, or of the leasehold interests and buildings and other structures belonging to private individuals or corporations on land acquired by it;"

Language in the Letter of Intent dealing with time periods when the property may be exempt from taxes by reason of the Authority's ownership was intended to cover periods of time when there might be a gap between Authority acquisition and conveyance or leasing to the developer.

Question: Will the phasing of the project cause a deterioration of abutting property values.

Answer: No. Phasing of the project was instigated to prevent hardships caused by urban renewal and properties will not be taken from the tax role until the land is needed for development; owners will not suffer by activities of the improvements in the area. Valuations will not be adversely affected by any improvements in the area.

Question: Are the developers obtaining an unfair or unreasonable benefit?

Answer: When the project is completed, the developer undoubtedly will have benefitted. This benefit obviously is somewhat commensurate with the risk involved in undertaking the Park Plaza development. In the typical urban renewal project, the private developer is granted the right to develop a cleared, prepared parcel of land at a price reduced through the use of Federal, State and City funds.

In the Park Plaza renewal, which is privately funded, the developer will pay the following:

1. Land at full, fair, market acquisition value, determined by appraisals without writedown. In addition the landowners may go to court, challenging their awards, and therefore, the final land price cannot be known with certainty until this is settled.

2. Unlike typical urban renewal, the private developer of Park Plaza must pay for relocation costs

3. Unlike typical urban renewal the private developer of Park Plaza must pay for demolition cost

4. Unlike typical urban renewal, the private developer of Park Plaza must pay the carrying cost on the land prior to its preparation as a developable parcel including real estate taxes and carrying costs on the acquisition costs. (The developer is required to put up the money for acquisition costs before acquisition thereby incurring the carrying costs.)

5. Unlike the typical urban renewal, the private developer of Park Plaza is contributing to the BRA overhead

6. Unlike the typical urban renewal, the private developer of Park Plaza over the long run, over and above real estate taxes, will contribute $3,000,000 to defray public costs.

Conclusion

Thus, not only must the developer in Park Plaza purchase the land for full, market cost without land write-down, typical of urban renewal, but the developer must also absorb substantial costs over and above this, compared to typical urban renewal projects.

This is manifestly not a bonanza, but in fact, will result in higher land costs than comparable urban renewal projects. Both the developer and the institutional partners are still satisfied as to the project feasibility, primarily because of the ability to create a special environment in a special and unique location. But, these unique costs do not leave the kind of economic cushion typically available in urban renewal. The suggestion of a bonanza is erroneous and misleading.

In summary,

The entire area, Parcels A, B, C, D and E, is suffering from deterioration, sub-standard and deficient physical structures, irregular street patterns that are inefficient and confusing, and wasted land use -- and overall is suffering from such a deterioration of the environmental character of the area, including Parcels A, B and C, that it should be classified as a blighted area. This would be true by any reasonable Federal or State or local standards.

The real estate picture is as the RDA presented it in previous testimony and not as you heard it last week. This is true not only of the present taxes received but also in regards to appropriate and reasonable projections of future tax revenues.

This program is substantially precommitted, according to a detailed schedule for Parcels A, B and C and the RDA intends to promote actively the development of Parcels D and E.

The City is protected in terms of any involvement until full financial commitments are in hand, and the sale of City streets will take place at an appropriate market price in view of the market value of this land in relation to the overall feasibility of the project.